


AR10

# ANNUAL REPORT

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1968



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Directors

R. J. ANDERSON  
J. S. DEACON  
S. E. EDWARDS, Q.C.  
A. GOLD  
WM. W. LAIRD, Q.C.

Officers

A. GOLD,  
PRESIDENT  
WM. W. LAIRD, Q.C.,  
EXECUTIVE VICE PRESIDENT  
L. R. DOBBIN,  
VICE PRESIDENT & GENERAL MANAGER  
S. E. EDWARDS, Q.C.,  
SECRETARY

Head Office and Plant

GALT, Ontario

Bankers

Royal Bank of Canada

Solicitors

Fraser & Beatty

Transfer Agents and Registrars

National Trust Company,  
Toronto

Auditors

Thorne, Gunn, Helliwell &  
Christenson  
Chartered Accountants, Toronto

Annual Meeting

May 20, 1969 - 11:00 a.m.  
Head Office, Galt, Ontario

# Report of the directors

## TO THE SHAREHOLDERS

Your Directors submit their report for the year ended December 31, 1968, together with the financial statements and report of the auditors.

### FINANCIAL HIGHLIGHTS

	1968	1967
Net sales .....	\$4,745,554	\$3,615,773
Net profit or (loss) .....	172,478	(3,664)
Net profit or (loss) per Class A share .....	5.75	(.12)
Cash flow from operations.....	383,121	95,192
Long term debt .....	494,900	243,520
Working capital .....	621,510	526,155
Working capital ratio .....	1.68:1	1.60:1

Sales and profits reached record levels in 1968 as a result of the expansion in new machinery and high efficiency of operations.

Capital expenditures on machinery and building improvements amounted to \$544,379, compared with \$43,254 the previous year. To help finance this expenditure, the loan with the Industrial Development Bank was increased by \$283,000.



Plans are now in progress for further expansion which will enable your company to take advantage of the excellent growth potential for textured yarns in applications such as home furnishings, knitted outerwear, tights and pantyhose.

Dividends on the Class A shares were deferred in 1968; however, it is the intention of the Directors to resume payment of the regular \$2/annum rate in 1969.

The present two-year agreement with the union will come up for renewal January 1, 1970.

The Directors recognize the contribution of all employees towards the successful operation of the past year and look forward to their continued cooperation and assistance during the coming year.

JOHN S. DEACON,  
Chairman of the Board.

# Riverside Yarns Limited

## STATEMENT OF PROFIT AND LOSS

Year ended December 31, 1968  
(with comparative figures for 1967)

	1968	1967
Sales .....	\$4,745,554	\$3,615,773
Cost of goods sold, excluding depreciation .....	3,982,072	3,266,049
Gross profit .....	763,482	349,724
Selling and administrative expenses .....	287,948	225,426
Interest on long-term debt .....	23,483	30,105
Financing expenses amortized .....	1,636	2,157
	313,067	257,688
Profit before undernoted items .....	450,415	92,036
Profit on sale of fixed assets .....	2,399	.999
	452,814	93,035
Depreciation .....	123,146	96,998
Profit (loss) before income taxes .....	329,668	(3,963)
Income taxes (note 5) .....		
Current .....	71,329	—
Deferred .....	85,861	(299)
	157,190	(299)
NET PROFIT (LOSS) FOR THE YEAR .....	\$ 172,478	\$ (3,664)

## STATEMENT OF RETAINED EARNINGS

Year ended December 31, 1968  
(with comparative figures for 1967)

	1968	1967
BALANCE AT BEGINNING OF YEAR		
As previously reported .....	\$ 430,476	\$ 434,439
Adjustment for deferred income taxes (note 5) .....	5,112	4,813
As restated .....	435,588	439,252
Net profit (loss) for the year .....	172,478	(3,664)
BALANCE AT END OF YEAR .....	\$ 608,066	\$ 435,588



STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended December 31, 1968  
(with comparative figures for 1967)

	1968	1967
SOURCE OF FUNDS		
Operations		
Net profit (loss) for the year .....	\$ 172,478	\$ (3,664)
Add items not involving a current outlay of funds		
Depreciation .....	123,146	96,998
Financing expenses amortized .....	1,636	2,157
Deferred income taxes .....	85,861	(299)
	<u>383,121</u>	<u>95,192</u>
Issue of common shares .....	—	28,000
Sale of fixed assets .....	6,728	3,838
Advances under mortgage payable .....	283,000	—
	<u>672,849</u>	<u>127,030</u>
APPLICATION OF FUNDS .....		
Additions to fixed assets .....	544,379	43,254
Principal instalments on long term debt paid or included in current liabilities .....	31,620	106,960
Financing expenses incurred .....	1,495	—
	<u>577,494</u>	<u>150,214</u>
INCREASE (DECREASE) IN WORKING CAPITAL .....	95,355	(23,184)
WORKING CAPITAL AT BEGINNING OF YEAR .....	<u>526,155</u>	<u>549,339</u>
WORKING CAPITAL AT END OF YEAR .....	<u>\$ 621,510</u>	<u>\$ 526,155</u>
	0	
Current assets .....	\$1,535,682	\$1,404,843
Current liabilities .....	914,172	878,688
	<u>\$ 621,510</u>	<u>\$ 526,155</u>

# Riverside Yarns Limited

(Incorporated under the laws of Ontario)

## BALANCE SHEET — DECEMBER 31, 1968

(with comparative figures at December 31, 1967)

### ASSETS

CURRENT ASSETS	1968	1967
Cash .....	\$ 43,387	—
Accounts receivable .....	721,404	\$ 780,173
Mortgage advance receivable .....	65,354	—
Inventories (note 1) .....	624,101	545,766
Prepaid expenses .....	81,436	78,904
	<u>1,535,682</u>	<u>1,404,843</u>
 FIXED ASSETS (note 2)		
Land, buildings, machinery and equipment .....	2,100,642	1,604,114
Less accumulated depreciation .....	1,185,280	1,103,257
	<u>915,362</u>	<u>500,857</u>
 DEFERRED CHARGES TO OPERATIONS .....	4,843	4,984
 DEFERRED INCOME TAX CHARGES (note 5) .....	—	5,112
	<u>\$2,455,887</u>	<u>\$1,915,796</u>

### LIABILITIES

CURRENT LIABILITIES		
Bank advances, secured (note 3) .....	—	\$ 337,606
Accounts payable and accrued liabilities .....	\$ 749,139	427,014
Income and other taxes payable .....	85,433	7,108
Principal instalments due within one year on long-term debt	79,600	106,960
	<u>\$ 914,172</u>	<u>\$ 878,688</u>
 LONG-TERM DEBT (note 4)		
6½ % First mortgage sinking fund bonds, Series A .....	89,500	100,000
Mortgage payable .....	485,000	250,480
	<u>574,500</u>	<u>350,480</u>
Less principal instalments included in current liabilities .....	79,600	106,960
	<u>494,900</u>	<u>243,520</u>
 DEFERRED INCOME TAXES (note 5) .....	80,749	—

### SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 6)		
Authorized		
30,000 Class A \$2 cumulative participating shares without par value		
100,000 Common shares without par value		
Issued		
30,000 Class A shares .....	358,000	358,000
40,000 Common shares .....		
 RETAINED EARNINGS .....	608,066	435,588
	<u>966,066</u>	<u>793,588</u>
	<u>\$2,455,887</u>	<u>\$1,915,796</u>

Approved by the Board.

ABE GOLD, President

J. S. DEACON, Chairman of the Board



## NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 1968

1. INVENTORIES	1968	1967
Raw materials .....	\$ 163,091	\$ 170,742
Work in process .....	142,696	130,655
Finished goods .....	318,314	244,369
	<u>\$ 624,101</u>	<u>\$ 545,766</u>

Raw materials are valued at lower of cost and replacement cost. Work in process and finished goods are valued at lower of cost and net realizable value.

### 2. FIXED ASSETS

	1968		1967	
	Asset value	Accumulated depreciation	Net	Net
Land .....	\$ 6,600	—	\$ 6,600	\$ 6,600
Buildings .....	372,962	\$ 243,339	129,623	111,505
Machinery and equipment .....	1,721,080	941,941	779,139	382,752
	<u>\$2,100,642</u>	<u>\$1,185,280</u>	<u>\$ 915,362</u>	<u>\$ 500,857</u>

Fixed assets are valued at replacement value as of April 20, 1928 as per appraisal of Dominion Appraisal Co., Limited with subsequent additions at cost.

### 3. BANK ADVANCES

Accounts receivable and inventories are pledged as security for bank advances.

### 4. LONG-TERM DEBT

The 6½ % first mortgage sinking fund bonds mature September 15, 1972.

The mortgage, which is payable to the Industrial Development Bank, matures February 22, 1975 and bears interest at 9% per annum. At December 31, 1967 the mortgage bore interest as to \$193,920 at 7½ % and as to \$56,560 at 9% per annum and a maturity date of July 22, 1970.

Principal instalments on long-term debt due within each of the next five years are as follows:

1969 .....	\$ 79,600
1970 .....	90,400
1971 .....	90,400
1972 .....	139,900
1973 .....	80,400

### 5. DEFERRED INCOME TAXES

In prior years the company has charged earnings with income taxes currently payable. In 1968 the company has changed its basis of accounting for income taxes by also charging earnings with income taxes deferred by claiming for tax purposes capital cost allowances and financing expenses in excess of depreciation and financing expenses charged in the accounts. The accumulated total of such income tax deferments for prior years has been recorded by an adjustment to retained earnings. 1967 figures in the financial statements have been restated and are shown as though the change to the new basis of recording income taxes had been made at the beginning of 1967.

### 6. CAPITAL STOCK

Dividends on Class A shares have been paid to August 15, 1954 and arrears at December 31, 1968 amount to \$28.75 per share totalling \$862,500.

The company shall not, without the prior consent of Industrial Development Bank, declare or pay dividends on its common shares, and it shall not pay dividends in any year on its Class A shares unless available funds (defined as net profit before depreciation but after income taxes) for the previous year exceed \$160,000 and then only to the extent of \$90,000.

During 1967 14,000 common shares were issued at \$2 per share for cash.

### 7. OTHER STATUTORY INFORMATION

The aggregate direct remuneration paid to directors and senior officers as defined by The Corporations Act of Ontario was: 1968, \$67,022; 1967, \$64,371.



# Riverside Yarns Limited

## AUDITORS' REPORT

### TO THE SHAREHOLDERS OF RIVERSIDE YARNS LIMITED

We have examined the balance sheet of Riverside Yarns Limited as at December 31, 1968 and the statements of profit and loss, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

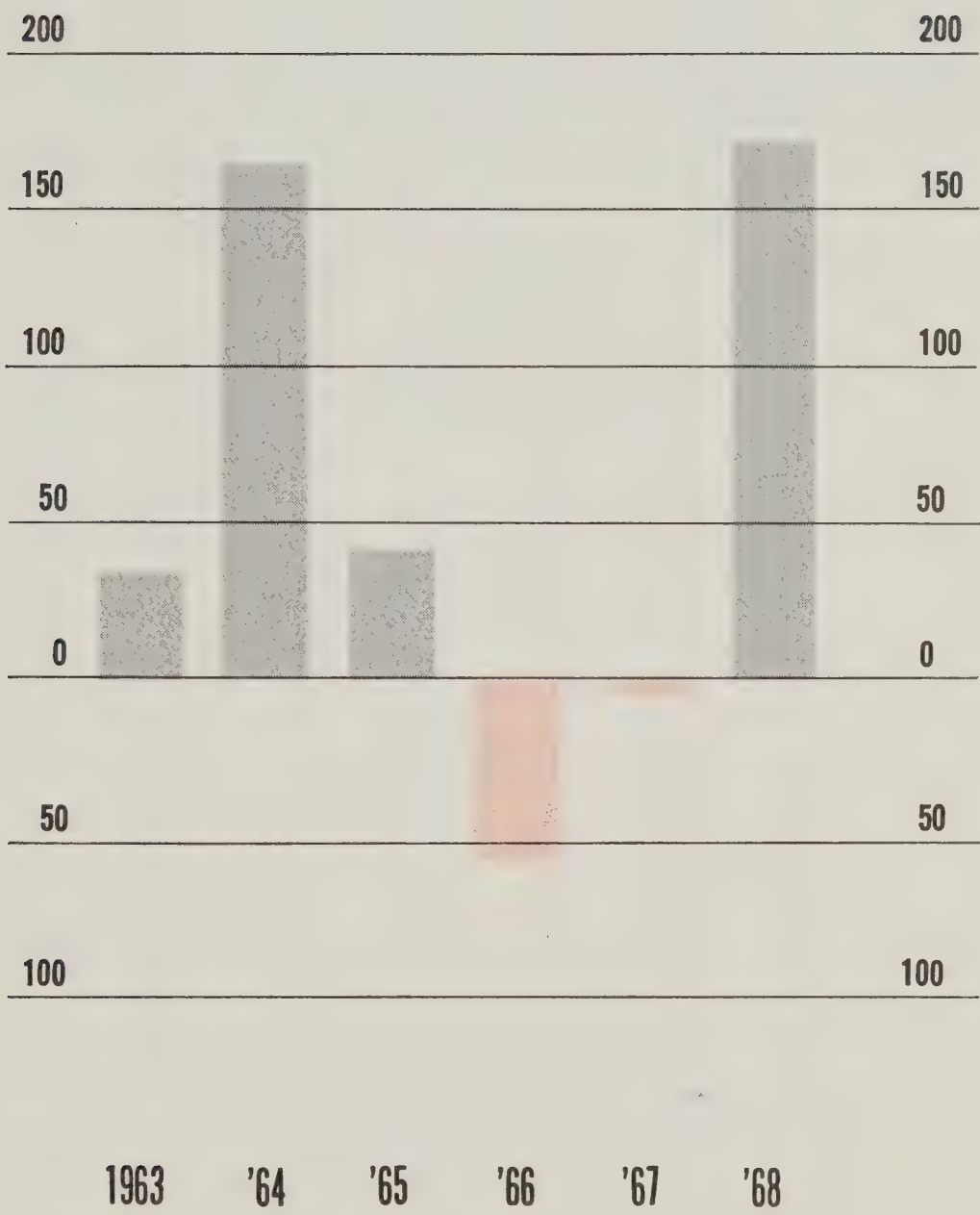
In our opinion these financial statements present fairly the financial position of the company as at December 31, 1968 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, after giving effect in that year to the change in accounting practice explained in note 5, with which change we concur.

THORNE, GUNN, HELLIWELL & CHRISTENSON,  
*Chartered Accountants.*

Toronto, Canada  
February 21, 1969



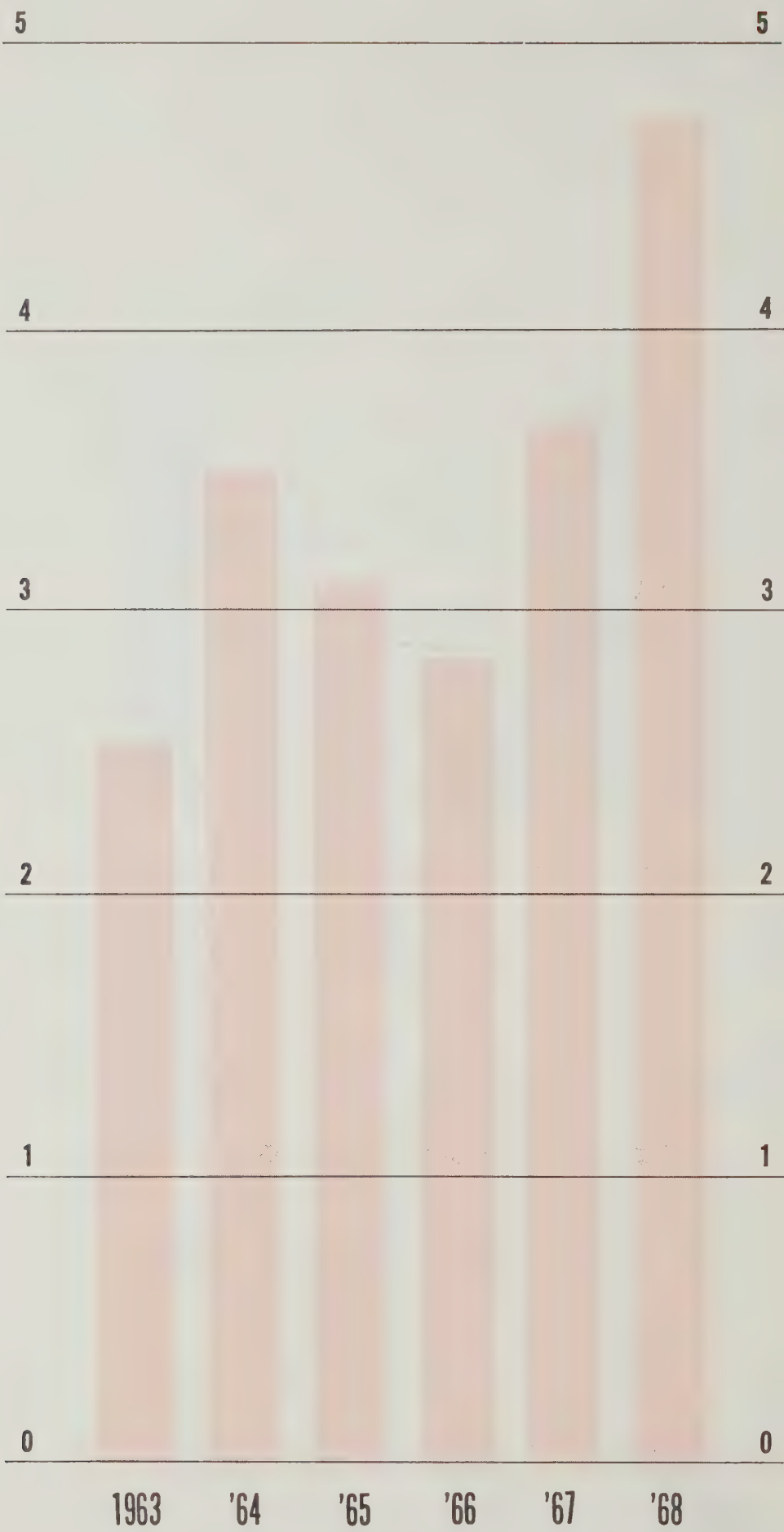
PROFIT and LOSS  
Thousands of dollars



# Riverside Yarns Limited

## SALES

SALES IN MILLIONS OF DOLLARS





Six Year  
Financial Summary  
See Overleaf

## SIX YEAR FINANCIAL SUMMARY

### INCOME AND EXPENSE

	1968	1967	1966	1965	1964	1963
Sales .....	\$4,745,554	\$3,615,773	\$2,792,888	\$3,144,077	\$3,504,747	\$2,505,176
Cost of goods sold excluding depreciation .....	3,982,072	3,266,049	2,533,180	2,744,846	2,940,755	2,123,034
Gross profit .....	763,482	349,724	259,708	399,231	563,992	382,142
Selling and administrative expenses .....	286,648	223,626	194,878	179,994	201,173	192,845
Directors' fees .....	1,300	1,800	1,500	2,200	1,600	1,400
Interest on long-term debt .....	23,483	30,105	33,692	40,800	23,395	25,918
Financing expenses amortized .....	1,636	2,157	2,448	3,389	2,690	4,831
	313,067	257,688	232,518	226,383	228,858	224,994
Profit before undernoted items .....	450,415	92,036	27,190	172,848	335,134	157,148
Profit (loss) on sale of fixed assets .....	2,399	999	(998)	(1,440)	(6,141)	14
	452,814	93,035	26,192	171,408	328,993	157,162
Depreciation .....	123,146	96,998	109,547	119,806	99,786	99,069
Profit (loss) before income taxes .....	329,668	(3,963)	(83,355)	51,602	229,207	58,093
Income taxes						
Current .....	71,329	—	—	—	—	—
Deferred .....	85,861	(299)	(29,404)	9,901	64,637	27,317
	157,190	(299)	(29,404)	9,901	64,637	27,317
Net profit (loss) for year .....	\$172,478	\$ (3,664)	\$ (53,951)	\$ 41,701	\$ 164,570	\$ 30,776

### FINANCIAL AND OTHER INFORMATION

	1968	1967	1966	1965	1964	1963
Working capital .....	621,510	526,155	549,339	622,349	635,968	345,098
Working capital ratio .....	1.68:1	1.60:1	1.64:1	1.83:1	1.95:1	1.59:1
Long-term debt .....	494,900	243,520	350,480	400,880	484,700	310,320
Shareholders' equity .....	966,066	793,588	769,252	838,203	826,492	654,432
Number of shares outstanding — Class A .....	30,000	30,000	30,000	30,000	30,000	30,000
Common .....	40,000	40,000	26,000	26,000	26,000	20,000
Equity per share — Class A .....	32.20	26.45	25.64	27.94	27.55	21.81
Common .....	—	—	—	—	—	—
Net profit (loss) per share — Class A .....	5.75	(.12)	(1.80)	1.39	5.49	1.03
Common .....	—	—	—	—	—	—
Dividends paid per share — Class A .....	—	—	.50	1.00	.75	—
Common .....	—	—	—	—	—	—
Dividend arrears — Class A .....	28.75	26.75	24.75	23.25	22.25	21.00
Cash flow from operations .....	383,121	95,192	28,640	176,237	337,824	160,942
% of cash flow to shareholders' equity .....	39.7%	12.0%	3.7%	21.0%	40.9%	24.6%
Purchase of fixed assets .....	544,379	43,254	42,260	74,606	229,139	46,323
Fixed assets (net) .....	915,362	500,857	558,439	631,736	678,486	555,579

NOTE: The years 1963 to 1967 have been restated to reflect deferred income taxes.



# MEMORANDA





